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November 17, 2011

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H. *JE Fielding ms*  
Director and Health Officer

SUBJECT: **CALIFORNIA CHILDREN'S SERVICES PILOT PROJECT**

This is to inform you that the California Department of Health Care Services (DHCS) has announced its intent to award contracts to regional health care organizations for pilot projects aimed at improving care for children with special health care needs who are enrolled in the California Children's Services (CCS) program. The pilots will take place in Alameda, Imperial, Los Angeles, Orange, San Diego and San Mateo counties and will be conducted over a three-year period beginning January 1, 2012. DHCS is conducting these pilots under California's new 1115 waiver for hospital refinancing and uninsured care.

The Los Angeles County contract will be awarded to L.A. Care Health Plan to pilot three health care delivery systems in collaboration with Children's Hospital of Los Angeles (CHLC), UCLA's Mattel Children's Hospital, and Miller Children's Hospital.

**Background**

The CCS Program is a joint State/County program that provides medical case management and authorization services for children with special health care needs (i.e. congenital heart disease, cancers or tumors, sickle cell anemia, serious chronic kidney problems, spina bifida, cerebral palsy, etc.) who meet specific medical, residential, and financial eligibility requirements, including children who are enrolled in Medi-Cal and Healthy Families. In addition, children with special health care needs who are uninsured or have private insurance and their related expenditures exceed a designated level of family income may be eligible. Overall, the CCS program plays ensures access to essential health care services to approximately 50,000 children in Los Angeles County.

Growing concerns about the overall cost of the CCS program and perceived opportunities for greater efficiencies and improved services have generated increased interest in exploring alternative delivery and payment options for the program. Under CCS program rules, covered services are defined as only those that are required to treat a child's CCS eligible condition, which can create complex administrative barriers to coordinate care. In addition, CCS services are "carved out" from traditional managed care plans which can also lead to inefficiencies and obstacles to comprehensive service delivery.

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In an effort to improve the current system, DHCS had identified specific counties to implement one of the following four models of care: 1) an Enhanced Primary Care Case Management (EPCCM) program; 2) a Provider-based Accountable Care Organization (ACO); 3) a Specialty Health Care Plan (SHCP); and 4) utilization of existing Medi-Cal Managed Care Plans. For its pilot project, L.A. Care Health Plan will implement the SHCP model.

### **Fiscal Impact**

The financing mechanisms for the CCS program are extremely complex, and include a County statutory share of cost for the diagnosis, treatment and therapy (DT&T) services provided to CCS-only and Healthy Families/CCS children. The County currently overmatches its statutory contribution to DT&T by approximately \$9 million annually.

To date, the State has not provided any information as to how the pilots are to be funded or how the County's statutory share of cost will be translated into global payments or other risk-based types of reimbursements under the pilot projects – even though the County will continue to have financial risk for a portion of the approximately 6,000 children to be enrolled. As such, it is not possible at this time to estimate the potential financial risk the pilot project may present for the County.

We will notify you as additional information becomes available from the State. In the meantime, if you should have any questions or need additional information, please let me know.

JEF:bm  
PH:1110:018

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors